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ABSTRACT

This paper describes the views of special education directors in 17 Kentucky school districts concerning effects of a 1990 law, the Kentucky Education Reform Act (KERA), which called for systemwide change in education and instituted a finance system, Support Education Excellence in Kentucky (SEEK), which uses a pupil weighting system. The study addressed cost questions comparing statewide expenditures with revenues generated for special education services, analyzing special education expenditures and revenues by types of school district, and comparing the three pupil weights used under KERA with actual costs of serving various categories of students. Overall, interviewees viewed the SEEK funding system as an improvement over the previous funding mechanism and approved the greater flexibility resulting from the blending of special and regular education funds. Directors also identified concerns with the new system, including insufficient state and federal funds to support appropriate placements, related services, staff development, materials, transportation, and facility modifications. Continuing issues of concern also included the burden of paperwork, mandated caps on class size, regulations governing the use of technology funds, and reimbursement for transportation. Policies encouraging inclusion were seen as having contributed to better use of special education resources and personnel but also have resulted in increased needs for instructional support and related service personnel, staff development, building modifications, and materials, equipment, and transportation funds. An appendix explains the SEEK formula. (DB)

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State Analysis Series

The Impact of the Kentucky Education Reform Act on Special Education Programs and Services:

Perceptions of Special Education Directors

Deborah L. Montgomery

December 1995

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Center for Special Education Finance

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AMERICAN INSTITUTES FOR RESEARCH

The Center for Special Education Finance (CSEF) is part of the John C. Flanagan Research Center at the American Institutes for Research (AIR), Palo Alto, California.

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The Center for Special Education Finance (CSEF) was established in October 1992 to address a comprehensive set of fiscal issues related to the delivery and support of special education services to children throughout the U.S. The Center's mission is to provide information needed by policymakers to make informed decisions regarding the provision of services to children with disabilities, and to provide opportunities for information sharing regarding critical fiscal policy issues.

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I. Background and Purpose

In 1989, the Kentucky Supreme Court declared that the state's public elementary and secondary educational system was unconstitutional. The state's educational system was characterized as providing an inequitable and inadequate level of resources for serving all children in the state. In response to this declaration, the General Assembly enacted House Bill 940, also known as the Kentucky Education Reform Act (KERA), in 1990. This reform bill called for a systemwide change in education that focused on areas of curriculum, governance, and finance.

As a result of House Bill 940, the General Assembly entirely changed the general school finance structure because it had " ... no alternative but to increase overall funding as well as to eliminate disparities in revenues among school districts" (Executive Editor, 1989, p. 134). The resulting finance system, known as the Support Education Excellence in Kentucky (SEEK) Program, essentially changed the funding mechanism for special education from a unit-based formula to a pupil weighting system, described later in this paper.

This paper briefly describes the special education system under KERA and summarizes the findings from the study related to the impact of KERA on special education programs and services, as perceived by district special education directors.

Study on the Impact of KERA

In conjunction with the enactment of KERA, the Kentucky State Legislature mandated a study to review the new approach to funding special education and to provide information to the Kentucky State Board of Education that would help them develop recommendations for making any necessary revisions to the

funding mechanism for special education. As a result, the Kentucky Department of Education, Divisions of Finance and Exceptional Children Services, contracted with the Center for Special Education Finance (CSEF) at the American Institutes for Research (AIR) to conduct this study during the 1993-94 school year.[1]

■ Study Sample

Although much of the data for this study came from statewide databases provided to CSEF, selected data, as well as the interview data presented in this paper, came from a stratified random sample of 17 Kentucky school districts. These districts were stratified by size and special education identification rates, and were selected with a probability proportional to total enrollment (i.e., larger districts had a greater chance of being selected). Table 1 describes the district sample and defines the sampling strata used.

Table 1
Description of district sample

	District Characteristics		Number of districts in sample
	Number of students enrolled	Special education identification rate	
Largest strata	> 10,000	≤ 16%	3
Large strata	5,001 - 10,000	≤ 16%	3
Small strata	1,000 - 5,000	≤ 16%	7
Smallest strata	< 1,000	≤ 16%	2
High incidence strata	< 5,000	> 16%	2
Total			17

■ Cost Study

The Kentucky study primarily addressed cost questions related to (a) how statewide expenditures compare with the revenues generated for special education services; (b) how special education expenditures compare with revenues in individual districts or types of districts; and (c) how the three pupil weights used under KERA compare with the actual costs of serving various categories of students.

[1] Readers interested in a more detailed description of the sample, data collection, analytical procedures, and results of this study may request the full report, ***Special Education Weight Project for the State of Kentucky*** (Chambers, Dueñas, Montgomery, Parrish, 1994) from the Center for Special Education Finance (CSEF) at the American Institutes for Research (AIR) in Palo Alto, California.

The results of the cost study showed that expenditures on special education are approximately equal to revenues for the state as a whole. However, individual districts vary considerably in the extent to which expenditures match revenues. On average, revenues generated by the KERA weights approximate the cost of services, but there is a considerable variation within the categories of students covered by each of the three pupil weights currently being used.[2]

- **Impact on special education programs and services**

In addition to compiling and analyzing objective data related to the cost issues described above, the study sought more qualitative information on the perceived impact of the new funding system on special education programs and services. To this end, senior researchers at CSEF conducted in-depth telephone interviews with special education directors from the 17 districts in the study sample. The directors shared their perceptions regarding the primary strengths and weaknesses of the new funding system, the incentives and disincentives the funding system provides, and the impact the system has had on regular education programs and services. In addition, they offered recommendations for changing the funding system to better meet their districts' needs in the areas of personnel, facilities, staff development, transportation, and materials and equipment.

Special Education Funding Under KERA

The SEEK funding system implemented under KERA is a foundation type program that establishes a basic allocation for each child being served. SEEK comprises three distinct, but closely related components: Adjusted Base Guarantee, Tier I, and Tier II. It establishes a guaranteed amount of aid per pupil and uses a measure of district wealth or fiscal capacity to adjust state aid allocations in inverse proportion to the district's ability to pay (O'Reilly, 1993). Through Tiers I and II, the formula allows for "local leeway," which allows districts to tax themselves above the mandated tax rate.

Each district's basic allocation is adjusted by a series of pupil weights to reflect the added cost of serving certain special student populations including

[2] These results are based on analysis of statewide databases in combination with data collected from a stratified random sample of districts within the State of Kentucky for the 1993-94 school year. The results of this cost study are described further in a companion to this paper, titled *Impact of the Kentucky Education Reform Act on Special Education Costs and Funding* (Chambers and Dueñas, 1995.)

exceptional students (i.e., special education), at-risk students, and students receiving home and hospital services. Thus, funding for these various populations is integrated into the general school finance formula in the form of an *exceptional child add-on*. This add-on is intended to reflect the additional costs over and above the base allocation associated with each special education child. Each special education child also generates the same base level of funding as all other students served by a district. In 1993-94, the base level funding was $2,495.

Several important features of SEEK are the following:

- The exceptional child add-on is based on the previous year's federal child count for children served within a given district.

- Funds generated by the exceptional child add-on are *not* targeted to special education students. All dollars are allocated to all students under SEEK with the requirements that needed services must be provided. Districts still must adhere to federal requirements which specify that (1) districts must spend in the current school year at least as much as they spent in the previous school year for providing services to children with disabilities, (2) districts must spend at least as much on every student with disabilities as on a student without disabilities, and (3) districts must not use federal dollars to pay for a program or service previously paid for or mandated by the state.

- The exceptional child add-on has no relationship to existing state class size standards for special education students. However, current state regulations still apply regarding maximum allowable class sizes for special education.

- The exceptional child add-on does not place a restriction on special education teachers working with students without disabilities in a regular classroom or collaborative (inclusive) setting.[3] Of particular interest is the fact that funds generated by the SEEK formula are not targeted to special education students. While districts still must adhere to federal requirements, there are no restrictions against special education teachers working with students without disabilities in regular classroom settings.

The appendix to this report provides a more detailed description of the SEEK funding system and formula.

[3] Kentucky uses the word collaborative teaching to refer to arrangements that are more commonly referred to as "*inclusive practices*," i.e., the practice of working with special education children within the regular classroom environment.

II. Perspectives on the Special Education Funding System Under KERA

Major Strengths of the System

The overriding response of the 17 special education directors from the study sample of Kentucky districts was that the new funding system under KERA is an improvement over the previous system due to its greater incentives for inclusion and lack of incentives to label students with disabilities. In addition, most of the interviewed directors viewed the regulations allowing the blending of funds and the resulting flexibility in spending as major strengths of the system. These directors believed that they are better able to integrate services, while maximizing dollars and minimizing the bookkeeping burden often associated with separate funding streams. They saw the ability to blend funds at the district level as especially advantageous for staff development, for purchasing materials and supplies, and most importantly, for being better able to meet the needs of individual students. Special education teachers now serve other students as well, which has led to greater collaboration in classrooms and perceived positive changes in teacher certification requirements. In addition, these directors saw the flexibility to use money where it is needed most as an improvement over the prior teacher unit system, from the standpoint of moving districts toward greater funding equity.

The interviewed directors also claimed that the current system has reduced the amount of time districts spend on yearly audits. Previously, annual audits "tied up staff for days" and involved excessive paperwork. With the current system, fiscal staff, special education administrators, and the district superintendent work

together to clarify budget issues and review the various reports required by the state. As a result of the new weighting system, there is the perception that labeling and placement decisions are being examined more closely and carefully. Several directors also mentioned that the regional centers under KERA provide very useful technical assistance and support. Another director expressed satisfaction with the state's responsiveness and with the way that funds are disbursed immediately.

Major Concerns about the System

A majority of the interviewed directors identified insufficient state and federal funds as the greatest area of concern related to the provision of special education services. They viewed the current funding system as one based on the amount of total available funds rather than on the actual costs of providing services according to students' needs. Although districts find it difficult to identify the costs of special education due to the way funds may be blended to purchase services, several directors noted that the actual costs for serving students with severe or low-incidence disabilities far exceed the amounts allotted by the formula. This problem is exacerbated by the fact that pupil counts often increase after December 1, with no corresponding increase in funds. In addition, the use of unduplicated counts for assigning children to one of three special education funding categories often makes it difficult for districts to adequately fund services for students with multiple needs. In fact, the data compiled for the 1993-94 study showed considerable variation in the costs of serving special education children even within each of the three funding categories (Chambers, Dueñas, Montgomery, & Parrish, 1994).

Some directors considered the overall shortage of funds to be restrictive, because "new expenses abound" as districts move toward inclusive practices. Insufficient funding for direct and related services (e.g., contract services, teacher aides and instructional assistance, transportation, and occupational and physical therapy) was especially problematic in the smallest districts and in districts with a high incidence of students with disabilities. In a number of cases, regular education funds have had to supplement inadequate special education funds. In small rural districts in particular, inadequate funding to staff appropriate placements (e.g., inclusive) for students with low incidence disabilities and intensive needs was a concern. Several directors stated they would have preferred the limited exceptional child add-on funds to be specifically earmarked for special education

services, rather than blended with general education funds at the district level, as is characteristic of the current system.

One of the largest districts identified paperwork as one of their biggest costs in terms of the time it takes to complete the complex list of "must do" items between identification of students and the provision of services. The director stated that "more and more time must be spent on paperwork," meaning less time to teach and serve children. A director from one of the high-incidence districts (< 5,000 students and identification rate > 16%), remarked that the placement procedures "take so long and have so many requirements" that regular classroom teachers may sometimes be disinclined to refer students for special education services.

Another area of concern among the interviewed directors was that no funds are targeted specifically for related services, and that the demand for related services is greater than what can be provided with existing funds. This is especially true for children with low-incidence disabilities and for small rural districts. Small rural districts, and especially those in the smaller cooperatives, suffer also from a shortage of available certificated service providers, such as occupational and physical therapy staff and counselors or interpreters for the deaf. These districts are often forced to send students far away to large cities for services, and may lose money as a result of these out-of-district placements. District directors repeatedly cited funding for transportation of special education students as another major concern—particularly the fact that districts only receive state reimbursement for a portion of the travel expenses for students attending out-of-district special schools.

In addition, since the state requires districts to match funds for costly assistive technology, districts have found these services difficult to afford and provide. In both large and small districts, directors acknowledged that although required by federal law and considered worthwhile, assistive technology and equipment such as computers can be extremely expensive. In some cases, district directors felt they were unable to afford the state-mandated district match; and in others, they considered the state guidelines regulating how technology money may be used to be too restrictive.

Another major concern expressed by district directors was the need for staff development and instructional materials. Several directors suggested the need for guidelines and technical assistance for implementing new approaches such as

inclusion and collaboration. Others stated that the funding system needs to reflect changing service delivery models such as community-based education.

Incentives and Disincentives Associated with the System

The 17 special education directors were asked to comment on whether or not they believed the funding system under KERA (intentionally or unintentially) provided incentives or disincentives for identifying or classifying students with disabilities or for providing particular types of special education programming or services. Although it is generally accepted that no funding formula can be completely "incentive-free," it was of interest whether special education directors believed any of the provisions of the funding formula were inconsistent in actual practice with state and district policy goals.

■ Identification and classification

With regard to *identification* of students with disabilities, there was general consensus among the interviewed directors of special education that the current system can encourage overidentification, especially toward the categories that generate the most money (e.g., multiple disabilities), and particularly for "borderline cases." However, directors perceived strict state auditing procedures as an effective check on the tendency to overidentify. In fact, some believe that new and more strict definitions for learning and speech disabilities have made it harder to identify these children, and have led to lower counts in one of the smallest districts. Conversely, directors from one large and one small district predicted that new regulations enabling identification of students with attention deficit disorder as "other health impaired" will probably lead to an increase in identification rates in this category. A director of one of the high-incidence districts (<5,000 students and identification rate >16%) reflected that "it seems when funding is low, the requirements to identify become more stringent, and it tends to eliminate students... who really need help." Another concern related to identification was that the December 1 child count did not accurately reflect the number of students in need of special education services, since districts identify children all year long. A director of one of the largest districts cited February and March as the time of year when their counts are actually the highest.

District directors of special education discussed how the current funding system may have impacted *classification*. Five of the 17 directors interviewed believed

that the funding system created an incentive to label children as more severely disabled in order to receive more funds. Two others said that the system does not affect classification because the regulations are "pretty strict and well specified," although it can be hard to keep up with new and changing labeling parameters. A number of directors spoke about the desirability of focusing on the needs of students rather than on the use of labels, recognizing, however, that "we seem to be stuck with them." This director added, "We should label all students because all are special in some way."

■ Placements

When asked whether the current system provided any incentives or disincentives for particular *placements* of students with disabilities, a majority of the interviewed directors from larger districts said that the weighted formula itself had not affected placements. They attributed a lack of funding and a need for in-service training for regular teachers as the major disincentives to collaboration and inclusive placements. In one small rural district, the special education director said that the more restrictive the environment, the more expensive it is, which might be interpreted as a fiscal incentive toward less restrictive placements. However, higher costs for *less* restrictive environments were cited as a disincentive by another director, due to the need for additional staff or aides to accompany special education students. The unavailability of regular classroom teachers who were trained and willing to teach special education students in an inclusive setting was cited as a deterrent to providing inclusive placements in smaller districts. Yet, one director from a small district said that placement has not been affected by the funding system, while another said that the system promotes inclusion "by not penalizing mainstreaming." Previously, reimbursement for special education was based on a count of full-time equivalent students in resource rooms; but with the current system, "you can have children where it is best for them" and still be reimbursed on a "per head" basis. This director alluded to a further incentive to do what is best for the child, due to the flexibility staff have in deciding placement options. While citing "no real incentives or disincentives" of the current funding system, a director from one of the smallest districts said that there is some encouragement under KERA to include special education children in regular education settings and that they are trying out collaborative practices.

However, the smallest districts often do not have enough children or teachers to readily provide collaborative/inclusive environments, since funding is based on the number of identified students. A further concern of districts in the "small,"

"smallest," and "high incidence" categories was that out-of-district placements are very expensive, and valuable funds are lost when money does not follow the student.

■ Services

Among the incentives and disincentives related to *services*, most of the . interviewed directors of special education cited the current funding system's exclusion of related service funds as a fundamental concern, which may be creating an incentive to label students as having more rather than less intense needs. In all categories of districts, the high cost of staff, assistive technology, and transportation services meant that special education funds were often insufficient to provide needed services to students. In one of the larger districts, the director discussed the "pressure to find staff who are younger, less expensive, less experienced and sometimes, less well trained than others." Also due to lack of funding, some of the "best practice" approaches are restricted, such as hiring an adequate number of paraprofessionals and support personnel to assist children in inclusive environments. Aside from the shortage of funds, however, directors acknowledged that the local flexibility to allocate funding had contributed to the districts' incentive to more carefully provide students with the services they needed.

State regulations that set caps for class size have created problems, such as requirements to lower class size without extra funds to provide the required number of teachers. In addition, these class size regulations create new problems when students are included in regular classrooms because the students are spread out and "the [special education] teacher can only be in one place at a time." To alleviate this concern, one director stated that the regulations should be based more on individual students' needs than on mandated student/staff ratios for particular classifications of special education students.

Responses were mixed with regard to the availability and adequacy of nonpersonnel resources. Some of the interviewed directors indicated that the current funding system did not hinder the provision of nonpersonnel resources. However, others indicated that there was a lack of flexibility in funding materials and equipment, particularly for changing or adapting facilities and for using the KERA technology money that was available separately. Regulations governing the use of technology funds sometimes frustrated district special education personnel.

Impact on Regular Education

Inclusive, collaborative practices have greatly impacted regular education teachers, with varying degrees of success. The policy of inclusion combined with the mandated caps on regular education class sizes have had the biggest impacts. The interviewed directors of special education generally agreed that regular education teachers feel that inclusive practices add extra work and have a negative impact where appropriate in-class supports are unavailable. Some teachers feel that regular education students are sometimes underserved because they do not have the same guaranteed protections as special education students. Some regular education teachers are having difficulties accepting special education students in their classrooms due to inadequate teacher training and support, and due to challenges sometimes associated with the time and effort needed to collaborate with special education teachers. In addition, the number of regular education students in their classes has decreased because of the grade level caps on class size. Special education children are taking up limited student "slots" even when there is an additional teacher (special education) in the classroom.

Nevertheless, special education directors in some districts noted that because special education has become part of regular education, it is not as isolated and separate as it was before. The flexibility of the system has allowed better use of special education teacher resources and has put special education teachers in a more positive light. Regular education teachers who are part of the admission and release teams have gained a greater understanding of special education students and their needs.

A majority of the districts indicated that more of the regular education budget is probably being used to support the special education program each year. Increased requirements, policies, and the time it takes between referral and placement drain both personnel and money. In addition to educational costs, court cases have required large sums of money that must often be taken out of the general funds. The legal system was reported to have "created a nightmare" of additional costs.

III. Recommendations for Change

The sample of district directors of special education were asked for their recommendations for changing the funding system to better meet their district's needs. This section of the report describes their recommendations in the areas of personnel, staff development, facilities, transportation, and materials and equipment.

Personnel

There was general consensus among the interviewed directors that more money should be spent on certificated and noncertificated support personnel. They reported that the present formula does not specifically address services that many special education students need. Personnel for providing related services and instructional assistance were most needed, including school psychologists, occupational and physical therapists, and classroom aides. Certificated staff to provide services for specific disabilities that are unique each year, such as low-incidence conditions, were always in need because the majority of special education teachers are trained to work primarily with learning disabled students.

In general, interviewed directors reported that special education personnel were difficult to find and retain due to low salaries and job burnout. One director from a large district recommended the use of incentive packages for special education personnel. This director noted that some special education teachers are not strongly committed to working with special education students and have obtained certification because special education jobs are easier to obtain at some grade levels or in some subjects. A special education director from one of the largest districts said that certification is "contradictory," adding that it sometimes requires more specialization than is actually needed.

Across all types of districts, special education directors stressed the importance of basing funding and staffing on need, rather than on student labels and student/staff ratio requirements. The director of one small district specifically expressed the desire for less pressure to specify the exact number of children per teacher. The special education director from a high-incidence district recommended that the funding system should allow for duplicated counts of speech students so that districts could afford enough teachers to meet the needs of students with multiple disabling conditions.

Staff Development

Staff development is an ongoing concern, as districts implement new state guidelines and regulations in the face of high teacher turnover and limited funding. The funding system under KERA allows for considerable local discretion in the use of staff training funds. Although it does not earmark any funds specifically for special education staff development, most of the interviewed directors viewed the system as satisfactory. KERA provides four mandated staff development days per year for all staff (e.g., general and special education teachers, principals, administrators), and extra state and federal money is also allocated for staff development. Mandated in-service training for *all* staff, such as training on the development of Individualized Education Programs (IEPs), has reportedly helped to raise staff awareness. However, a number of interviewed directors said they would like to see more money directed to special education staff development due to the magnitude of change dictated by an inclusive philosophy, and to recently changed definitions related to the eligibility of students with severe emotional disturbances and learning disabilities. A special education director from a small district suggested that state funding be provided for release time as an incentive for districts to train noncertificated staff, beginning, and veteran teachers. This would enable opportunities for teachers to learn innovative methods through the observation of other teachers.

Most of the interviewed directors of special education said the state was doing a good job with staff training, which was described as a "major thrust" under KERA. However, these directors differed in their views regarding the adequacy of state support for staff development. A director from a small district noted that KERA mandates many helpful strategies such as cooperative and team teaching approaches that require uniform planning times, but provides "no funds to back up the districts as they make the changes." As a result, special education and inclusion are impacted because good teachers "wear out before they rust out!"

Also mentioned was the critical need to train general education teachers in preparation for the inclusion of students with special needs in their classrooms. The special education director from a high-incidence district said that "this is one of the toughest areas to deal with," and that more money is needed to train both general and special educators. In sum, across every type of district, there were special education directors who felt that the current system was "satisfactory" or "adequate" and others who felt that more resources for staff development were necessary.

Facilities

The demand for classroom space has generally decreased as a result of more collaborative and inclusive practices, and the accompanying change from pull-out to in-class services for special education students. In high growth districts, however, special education directors noted that space has been a bigger concern. In some cases, temporary portable classroom arrangements have been necessary to accommodate large influxes of new students. Most of the interviewed directors acknowledged the high costs associated with building renovations needed to provide total accessibility, and reported that many districts have only been able to afford temporary or short-term building adaptations with the available funds. Special education directors listed elevators, automatic doors, accessible restrooms and changing areas, and running water in classrooms as extremely expensive but necessary accommodations for total accessibility. They agreed that more funding will be needed to pay for these expensive renovations, particularly in districts with considerably older schools. Some communities have already passed bond measures for this purpose. In larger districts, it has been possible to anticipate students' needs and encourage their enrollment in the schools that are appropriately equipped and relatively close to their homes. In smaller districts, more temporary and cost-saving solutions have been necessary to make schools wheelchair accessible, such as moving inclusive classes from second to first-floor classrooms. A special education director from one of the smaller districts mentioned the need for funding school building renovations so that students with severe disabilities who are currently receiving home-school services could be served in appropriately equipped neighborhood schools. Other directors called for closer supervision on the use of funds for providing adequate facilities and suggested that some administrators may not fully understand what is required to provide appropriate building accommodations for students with special needs.

Transportation

Where special transportation arrangements or adaptations are necessary, costs can be very high, particularly in large rural counties, or where students or services are spread very thin. The state only partially reimburses the cost of transportation, and some of the interviewed directors of special education felt that local costs vary too much for the reimbursement formula to be uniformly and fairly applied. Some directors expressed a preference to be reimbursed according to the actual costs of transportation. Wheelchair lift-equipped buses with aides are very expensive, and the general education fund must often cover these additional costs. In one of the largest districts, transportation was described as the biggest problem in the county. Some children must ride for up to two hours per day. When buses are not available, parents are offered $.18 per mile, although some parents will not drive for this amount. The expense must then be paid to the lowest bidder, "even if that bid is excessive." In smaller districts, directors acknowledged that neighborhood schools would likely reduce transportation costs; however, the current emphasis on community-based education for students with more severe disabilities (e.g., learning to shop, eat) presents additional costs. Other directors felt that the move toward inclusion would add transportation costs if students are more spread out and require individual aides to accompany them. The high costs of transporting special education students led directors to recommend more state funding, changes in the reimbursement formula, and more accurate accounting of the actual expenses incurred.

Materials and Equipment

Special education directors from the largest districts in the study sample cited inadequate funds and high costs for special education materials and equipment. Increased costs in one district were attributed to changing service delivery models, particularly community-based education and authentic assessment, and to the high costs of assistive technology and equipment for special facilities. Another director reported a lack of funding to implement programs using new technologies, and described how staff "beg and borrow" or save money by making or buying materials themselves.

In one of the larger districts, the director pointed to the "fine line between educational items and medical items" that needs to be examined more closely, so that other agencies "bear their share of these expenses." In addition, since the

requirements of the special education system necessitate close monitoring of timelines for evaluation, assessment, and periodic reviews, this monitoring is best accomplished by individual teachers with computers. A considerable amount of money has been needed to equip staff with these computers for tracking students and due process at each school. Expenses are also incurred when IEP committees make recommendations for services and equipment for particular students which the county must then fund. Often these expenses are paid with blended special and general education funds at the district level. Both small and large districts in the sample requested more state dollars for computers with specialized adaptations and for "one-of-a-kind" specialized materials and equipment to support students with severe or multiple disabilities. A director from a high-incidence district suggested that the state textbook list should include more functional textbooks for special education students. In one of the smallest districts, a local trust fund has been established to help fund specialized equipment needs. In general, districts had to be very creative to find ways to fund materials and equipment for special education, and the needs invariably appeared to be greater than the available funds.

IV. Summary

Overall, interviewed special education directors viewed the new special education funding system under KERA as an improvement over the previous funding mechanism. They perceived the new system as having greater incentives for inclusion and fewer incentives to label children than the previous system. Most directors viewed increased spending flexibility at the district level, resulting from the blending of special and regular education funds, as a major strength of the funding system. This flexibility was particularly helpful in providing opportunities for staff development and in purchasing materials and supplies for school use. Many directors felt that the blending of funds was moving districts toward greater funding equity, and an increased ability to meet the needs of individual students. Due to more collaborative teaching practices, they perceived that decisions related to the placement of students with disabilities were being more carefully considered and examined.

When asked about their concerns with the new system, directors described insufficient state and federal funds, and the way in which the new system was based on total available funds rather than on the actual costs of providing services. Other concerns included a lack of funding to meet the demand for related services, and the sometimes prohibitive costs of the district match required for assistive technology, especially in smaller districts. Additional issues to be resolved included state-mandated restrictions on class size, the increasing burden of paperwork, and the need for staff development and instructional materials.

Some district directors expressed the belief that the new system may provide an incentive to classify students in categories that generate the most funds, while others felt that strict and well specified regulations provide an adequate check on these incentives. Most directors believed the new system created greater overall

incentives to do what was best for the child. For example, they remarked that districts were no longer penalized for mainstreaming, as had been the case under the previous system which reimbursed districts only for full-time equivalent students in special education. However, directors cited inadequate funding as the biggest restriction to providing some of the "best practice" approaches they would like to encourage.

To the extent that directors perceived appropriate in-class supports or adequate teacher training and time for collaboration as lacking, they viewed special education programming as having a negative impact on regular education programs. Conversely, many directors indicated that inclusion had caused them to make better use of special education teacher resources, and had resulted in reduced isolation of special education departments in general. However, a number of directors also reported that more of the regular education budget was being used to support special education programs, and noted that the legal system was creating a "nightmare" of additional costs.

Recommendations from the interviewed directors as to how the funding system might be changed to better meet their districts' needs focused on the areas of personnel, staff development, facilities, transportation, and materials and equipment. Most directors agreed that more money was needed for certificated and noncertificated support staff, particularly for providing related services and instructional assistance. They saw the reliance on student/staff ratio requirements as a basis for funding and staffing as being problematic. Due to the magnitude of change dictated by an inclusive philosophy, ongoing staff development was a continuing concern; however, directors generally considered continued local discretion in the use of staff development funds to be advantageous. Across all types of districts, there were directors who felt the current provisions for staff training were adequate, and others who felt that more resources were needed.

Directors acknowledged the high costs associated with modifying facilities for accessibility, and many districts were only able to afford temporary or short-term adaptations. They generally agreed that more funds will be necessary for facility modifications, particularly in districts with considerably older schools. Directors stated that some local administrators needed a better understanding of the requirements for providing appropriate building accommodations for students with special needs.

Transportation costs were problematic for many districts, leading directors to recommend more state funding, changes in the reimbursement formula, and more accurate accounting of the actual expenses incurred. Funds for providing appropriate special education materials and equipment were also considered inadequate, with changing service delivery models and demands for assistive technology on the rise. Additional state funds were requested by both small and large districts for computers with specialized adaptations and for "one-of-a-kind" specialized materials and equipment to support students with more severe or multiple disabilities.

In summary, the interviewed special education directors were generally pleased with the way the new funding system allowed for greater local discretion and provided increased incentives and opportunities for inclusion and collaboration among special and general educators. Their greatest concerns focused on insufficient state and federal funds to support appropriate placements, related services, staff development, materials, transportation, and facility modifications. Some directors considered incentives to overidentify students, particularly in those categories generating the most funds, potential drawbacks, while others believed that strict regulations and close monitoring were curbing this tendency. Continuing issues of concern included the burden of paperwork, mandated caps on class size, regulations governing the use of technology funds, and reimbursement for transportation. Directors admitted that although policies encouraging inclusion have contributed to better use of special education resources and personnel and to the provision of more appropriate services for children with special needs, they have also resulted in increased needs for instructional support and related service personnel, staff development, building modifications, and materials, equipment, and transportation funds.

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Appendix: Kentucky Funding System under KERA

Three-tiered System

House Bill 940 called for public education in Kentucky to be funded through a new school finance system known as the Support Education Excellence in Kentucky (SEEK) Program.

■ State Adjusted Base Guarantee

SEEK is essentially a foundation program where the state provides a guaranteed amount of revenue per pupil (i.e., base) to each school district. Biennially the General Assembly derives a statewide guaranteed base funding level usually on the basis of available funds. The base amount for the 1993-94 school year was $2,495 per pupil.

The base funding level for each school district is also adjusted using a series of add-ons which reflect the additional costs for at-risk students using a pupil weight of .15; home and hospital which includes an additional $2,395 per pupil served; and exceptional children using three weights applied to unduplicated counts of low incidence, high incidence, and speech and language-only students. An add-on is also provided for transportation services.

SEEK also requires a minimum level of effort from local school districts. Each school district is mandated to levy a minimum equivalent tax rate of 30 cents per $100 of assessed property value. The Required Local Effort (RLE), the local contribution to the adjusted base guarantee, can be reached by levies on property and through other levies permitted for general school purposes (e.g., motor

vehicle tax, utility tax). The difference between the RLE and the calculated base (i.e., base plus the four add-ons) represents the state SEEK contribution to a local school district. As a result, state aid will vary across districts, and this variance ensures that state aid to districts is sensitive to local fiscal capacity due to variations in local property wealth (Adams, 1993).

- **Tier I**

Tier I is an optional component of SEEK that allows school districts to raise additional revenue of up to 15 percent of the adjusted base guarantee. If a school district chooses to levy this additional tax and its per pupil property wealth is below 150 percent of the statewide average for per pupil property wealth, the district receives state equalization funds. State equalization funds are provided in order to guarantee that each participating district will receive that same revenue per pupil when making the same tax effort. If a local board chooses to levy a tax rate under this tier, the levy is not subject to an electoral vote with a few exceptions.

- **Tier II**

Tier II is another optional component of SEEK that allows school districts to raise additional revenue of up to 30 percent of the amount generated by the adjusted base guarantee and Tier I. Tier II differs from Tier I in that the district does not receive state equalization funds and the tax rate levy is subject to an electoral vote. As noted in the Exceptional Child Pupil Weight Status Report (1993), "Tier II has the effect of placing a cap on the amount of revenue a local school district can raise, thereby maintaining some control over the disparity in per pupil revenues that might be available in local school districts" (Kentucky Department of Education, 1993, p. 50).

Exceptional Child Add-On

Funding for the exceptional children program has been an integral part of the general education finance system. Howevef prior to SEEK, state aid for special education was administered on the basis of classroom units, which provided a fixed amount of money to cover the cost of the resources needed to operate each classroom unit. Under SEEK, state aid for special education is calculated through a pupil-weighted formula. Students with disabilities aged 5 through 21 generate an exceptional child add-on based on categories of disability. The federal disability categories plus an additional category for developmentally delayed (for

pre-school children) are grouped into the following three categories with the corresponding pupil weights for the 1993-94 school year.

Category	Pupil Weight
Low Incidence Category: Functional Mental Disability, Emotional Behavioral Disorder, Deaf-Blindness, Hearing Impairments, Multiple Disabilities, Visual Impairment, Autism, and Traumatic Brain Injury	2.34
High Incidence Category: Specific Learning Disability, Mild Mental Disability, Other Health Impairment, Orthopedic/Physical Disability, Developmentally Delayed	1.17
Speech or Language Impairment Only Category	0.24

This total count from the three pupil weight categories is then multiplied by the base amount awarded for Average Daily Attendance (ADA) to get the district's total exceptional child add-on. The following formula demonstrates how the total district exceptional child add-on is calculated.

District's Total Exceptional Child Add-on (TE) for 1993-94:

$$TE = (NL \times 2.34 \times \$2{,}495) + (NH \times 1.17 \times \$2{,}495) + (NS \times 0.24 \times \$2{,}495)$$

where $2,495 equals per pupil base allocation and the unduplicated special education child counts for the previous year are represented by

NL = for the Low Incidence Category
NH = for the High Incidence Category
NS = for Speech or Language Impairment Only Category

Explanation of the SEEK Formula

Calculation of State SEEK Contribution for 1993-94:

TS = (TB + TA + TT + TH + TE) - TL

TS	= State SEEK Contribution
TB	= Total Base Allocation
TA	= Total At-Risk Add-on
TT	= Total Transportation Add-on
TH	= Total Home and Hospital Add-on
TE	= Total Exceptional Child Add-on
TL	= Total Required Local Effort (RLE)

where:

TB	= $2,495 x (92/93 District ADA)
TA	= $2,495 x FLP x .15, where FLP is defined as children eligible for the Free Lunch Program
TT	= Prior year "graph adjusted" costs for transporting pupils living a mile or more from school
TH	= $2,395
TE	= (NL x WL x PB) + (NH x WH x PB) + (NS x WS x PB)—described in detail below
TL	= .30 (per $100 of district's assessed property value)

As presented in the above formula, the base amount remains constant for all school districts. Each adjustment (i.e., at-risk students, transportation, home and hospital, exceptional children) and the RLE will vary for individual school districts. The total state Base SEEK contribution may also be adjusted by Tier I, Tier II, a Vocational Education deduction, hold harmless contribution, and an adjustment to the appropriation. The vocational education deduction subtracts 30 percent of the state-funded base for each student in ADA attending the state vocational schools. Under hold harmless, districts are guaranteed the same per pupil state funding they received in the 1991-92 school year. Even so, a reduction in ADA could result in a district receiving fewer total state dollars. The SEEK funding is proportionately reduced due to insufficient funds appropriated for the

1992-94 biennium. District funds cannot be reduced below the hold harmless level. Finally, all SEEK calculations are made on a per pupil basis and calculated amounts apply to each pupil in the district (Adams, 1993; Kentucky Department of Education, 1993). The following formula demonstrates how a district's total SEEK funding is calculated.

District's Total SEEK Funding:

$$TD = (TS + T1 + T2) - TVE + THH + TAA$$

TD = District's Total SEEK funding
TS = Total State SEEK Contribution
T1 = Total for Tier I
T2 = Total for Tier II
TVE = Total Vocational Education Deduction
THH = Total Hold Harmless
TAA = Total Adjustment to Appropriation